

## Message Text

CONFIDENTIAL

PAGE 01 STATE 150758  
ORIGIN COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-08 STR-07 XMB-02  
OPIC-03 AID-05 TRSE-00 /051 R

DRAFTED BY COMMERCE:BIEPR/OCA:RHARDING  
APPROVED BY EB/ITP:DPATTERSON  
COMMERCE:BDBD:CWEAVER  
COMMERCE:BIEPR/OCA:ADAUMAN  
EB/OT/TA:AWOODS  
EUR/CAN:GMONROE  
TREASURY:WWARTHIN

-----054244 141611Z /43

R 141539Z JUN 78  
FM SECSTATE WASHDC  
TO AMEMBASSY OTTAWA  
INFO USMISSION GENEVA  
AMCONSUL MONTREAL  
AMCONSUL TORONTO

C O N F I D E N T I A L STATE 150758

E.O. 11652: GDS

TAGS: ETRD, CA

SUBJECT: CANADIAN PLANS FOR AUTO INVESTMENT INDUCEMENTS

REF: OTTAWA 2671, KOPP-PLACKE TELCON

1. WE APPRECIATE AMBASSADOR'S EFFORTS TO DISCOURAGE  
ONTARIO AND GOC OFFICIALS FROM ESTABLISHING PROGRAM OF  
GRANTS AND INVESTMENT SUBSIDIES TO INDUCE AUTOMOTIVE  
INDUSTRY TO INCREASE INVESTMENTS IN CANADA.

2. REFTEL REQUESTED WASHINGTON ASSESSMENT OF PROSPECTS  
FOR MTN CODE ON SUBSIDIES AND COUNTERVAILING MEASURES.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 150758

CURRENT WORK ON CODE ENVISAGES DIFFERENT INTERNATIONAL  
PROVISIONS GOVERNING USE OF INTERNAL AS OPPOSED TO EXPORT  
SUBSIDIES. ONLY EXPORT SUBSIDIES ON NON-PRIMARY PRODUCTS  
WOULD BE SUBJECT TO HARD GATT OBLIGATIONS PROHIBITING  
THEIR USE. AUTO INVESTMENT INDUCEMENTS UNDER PREPARATION  
BY GOC WOULD BE CONSIDERED AS INTERNAL SUBSIDY UNDER  
CODE AND NOT SUBJECT TO THE SAME OBLIGATIONS AS EXPORT

SUBSIDIES. SIGNATORIES WILL, HOWEVER, BE ASKED TO QUOTE  
SEEK TO AVOID CAUSING SERIOUS PREJUDICE TO INTERESTS OF  
OTHERS END QUOTE THROUGH USE OF SUCH SUBSIDIES. IMPROVED  
RULES AND PROCEDURES FOR THE IMPOSITION OF COUNTERVAILING  
DUTIES AND OTHER MEASURES TO OFFSET THE TRADE EFFECTS OF

SUBSIDIES SHOULD IMPROVE DISCIPLINE OVER THE USE OF IN-  
TERNAL SUBSIDIES DESPITE THE LACK OF HARD OBLIGATIONS.  
USG RECOGNIZES THAT IF US IDEAS IN SUBSIDY/COUNTERVAIL  
ARE ADOPTED, CERTAIN US PRACTICES, PERHAPS INCLUDING  
STATE AND LOCAL INDUCEMENTS TO INVESTMENT, MIGHT BE  
COUNTERVAILABLE.

3. AMBASSADOR AND/OR EMBASSY OFFICIALS ARE ENCOURAGED TO  
CONTINUE DIALOGUE WITH CANADIAN OFFICIALS ON AUTO PACT  
RELATED ISSUES, USING SAME APPROACH AS REPORTED REFTEL.  
GIVEN WIDESPREAD CRITICISM OF AUTO PACT IN CANADA AND  
PRESSURES ON GOC TO REDUCE BILATERAL AUTO PARTS TRADE  
DEFICIT, WE SHARE AMBASSADOR'S VIEW THAT CANADIAN  
OFFICIALS MUST BE REMINDED REGULARLY OF U.S. CONCERNS AND  
POSSIBLE REACTIONS IN US TO CANADIAN MEASURES. COLLECTIVE  
IMPACT OF PROPOSED INCENTIVES, EXPANSION OF AUTO PARTS  
DUTY REMISSION PROGRAM, AND JAWBONING OF MOTOR VEHICLES  
MANUFACTURERS INCREASES RISK OF NEGATIVE REACTION.  
SMALLER U.S. AUTO PARTS MANUFACTURERS MAY SEEK RELIEF  
BY: 1) FILING PETITIONS FOR IMPOSITION OF COUNTERVAILING  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 150758

DUTIES OR 2) ALLEGING UNFAIR TRADE PRACTICES UNDER  
SECTION 301. CANADIAN ACTIONS ALSO COULD PROMPT PRES-  
SURES FOR CONGRESSIONAL REVIEW OF AUTO PACT.

4. IN DISCUSSIONS EMBASSY ALSO MAY WISH TO REMIND  
CANADIANS THAT WE CONTINUE TO BELIEVE THE COMPETITIVENESS  
OF NORTH AMERICAN AUTOMOTIVE INDUSTRY IN LONG TERM  
DEPENDS ON COMPANIES' ABILITY TO MAKE DECISIONS, INCLUDING  
TIMING AND LOCATION OF INVESTMENTS, ON ECONOMIC GROUNDS.  
INVESTMENT INDUCEMENTS OFFERED BY U.S. STATES AND  
LOCALITIES: A) EXISTED LONG BEFORE AUTO PACT; B) DO NOT  
HAVE SECTORAL OBJECTIVES; AND C) ARE NOT THE MAIN  
DETERMINANT OF WHERE PLANTS ARE LOCATED. RECENT DE-  
VALUATION OF CANADIAN DOLLAR SHOULD MAKE INVESTMENT  
IN CANADA AND PURCHASE OF CANADIAN PRODUCTS MORE ATTRAC-  
TIVE. MOTOR VEHICLE MANUFACTURERS APPEAR TO HAVE LIVED  
UP TO TERMS OF AUTO PACT SO FAR, ACTING AS GOOD CORPORATE  
CITIZENS OF BOTH COUNTRIES, AND ARE UNLIKELY TO BEGIN  
SKEWING INVESTMENT TOWARDS UNITED STATES AS SOME  
CANADIAN OPINION FEARS. CHRISTOPHER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AUTOMOTIVE INDUSTRY, TRADE PROMOTION, INVESTMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE150758  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** BIEPR/OCA:RHARDING  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780248-0823  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780659/aaaabzds.tel  
**Line Count:** 114  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 05553289-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN COME  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 OTTAWA 2671  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 08 jul 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2351021  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CANADIAN PLANS FOR AUTO INVESTMENT INDUCEMENTS  
**TAGS:** ETRD, CA  
**To:** OTTAWA  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/05553289-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014